



MEMORIAL HOSPITAL OF LOGANSPORT

FINANCIAL STATEMENTS

AND

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

CPAs / ADVISORS



MEMORIAL HOSPITAL OF LOGANSPOUR

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Memorial Hospital of Logansport (the Hospital), a component unit of Cass County, which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2022 and 2021, and the results of its operations, changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the Uniform Compliance Guidelines for Audits of Hospitals and State and Local Governments by Authorized Independent Public Accountants, issued by the Indiana State Board of Accounts, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Hospital adopted Governmental Accounting Standards Board Statement No. 87 – *Leases* during 2022. Our opinion is not modified with respect to this matter.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2024 on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Sincerely,

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2024

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Management's discussion and analysis of Memorial Hospital of Logansport's (the Hospital) financial performance provides an overview of the Hospital's financial activities for the year ended December 31, 2022 with comparable information for 2021 and 2020. Please read it in conjunction with the Hospital's financial statements and accompanying notes to financial statements included in this report.

USING THIS ANNUAL REPORT

This annual report consists of two parts — *management's discussion and analysis*, and the *basic financial statements*.

- In the "*management's discussion and analysis*" section of this report, management discusses various components of the annual report and provides an analysis of the current financial statement information.
- The "*basic financial statements*" section of this report includes a series of financial statements, which provide information about the activities of the Hospital as a whole. The statements of net position reveal the assets, liabilities and net position of the Hospital on December 31, 2022 and 2021 while the statements of operations and changes in net position summarize the revenues and expenses, including nonoperating items for the years then ended. The statements of cash flows summarize the change in cash and cash equivalents as a result of operating, investing, and financing activities during the years. The notes to financial statements disclose additional information addressed within the body of the financial statements.

The Hospital is a not-for-profit acute care hospital, established in 1925. It is a county-owned facility and operates under the Indiana County Hospital Law. Operations include a state-licensed, 83 bed acute care medical center offering a full range of inpatient and outpatient medical services including 24-hour emergency care, surgical, specialty, medical imaging, cancer, family birth centers and physician clinics. The Cass County commissioners appoint the board of trustees of the Hospital. Although the Hospital is a governmental entity, the Hospital does not receive taxpayer support for operations.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

The mission of the Hospital is "Your Health...Our Passion." The Hospital's vision is that it "will exceed the needs and desires of our community – as an employer, as a provider, and as a health advocate." Logansport Memorial Hospital lives this mission and vision by continually striving to improve the delivery of care and the overall health of the community by creating and fostering strong partnerships both within the Hospital campus and the surrounding communities. The Hospital also focuses on improving internal processes to better the patient, physician, employee, and visitor experience while providing excellent care. The Hospital carries out its mission by focusing on its values as follows:

- Human Dignity
- Integrity
- Justice
- Service Excellence
- Stewardship

This management's discussion and analysis will include some of the highlights related to the operational and financial performance for 2022.

FINANCIAL HIGHLIGHTS

- Overall, net position decreased by approximately \$16.4 million during 2022 while operating loss was approximately \$15.4 million compared to 2021 where the net position decreased approximately \$1.8 million while operating loss was approximately \$5.6 million. Operating losses increased during 2022 due to inpatient volume decreases, a reduction in COVID-19 grant funding, large inflationary increases in costs, and substantial wage pressures due to the ongoing healthcare worker's shortage.
- Assets limited to use decreased by approximately \$1.7 million in 2022 and \$470,000 in 2021. Short and long-term debt, excluding lease liabilities, decreased by approximately \$2.7 million in 2022 and \$2.8 million in 2021. The Hospital issued bonds in 2019 to primarily purchase a new electronic medical records and billing system. As of December 31, 2022, approximately \$1.1 million and \$2.1 million of the 2019 bond proceeds were included in assets limited as to use as the funds had not been yet expended. The Hospital was not in compliance with their debt service coverage ratio related to the 2013 and 2019 Bonds as of December 31, 2022. A waiver from the bondholders of the covenant subject to certain terms and conditions was not obtained. The debt has been shown as current due to the 2013 and 2019 bonds being paid off by the Hospital in August 2023.
- Net capital assets, including right-to-use assets, decreased by approximately \$88,000 in 2022 and increased by approximately \$1.5 million in 2021. The Hospital purchased some of their new electronic medical records and billing system in 2021 and completed renovations of the Obstetrician department during 2021.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

- Total operating revenues increased approximately \$3.2 million during 2022 and \$17.1 million in 2021. The Hospital's operating margin for 2022 was equal to -13.1% compared to -4.9% for 2021. The factors impacting this will be discussed in greater detail herein.

USING THIS ANNUAL REPORT

The following pages will highlight certain financial statements of the Hospital and include a brief analysis. The financial statements of the Hospital explain the results of operations. The statement of operations and changes in net position summarizes the effect of the year's activities, while the statement of net position summarizes the Hospital's net resources at the beginning and end of the year. The statement of net position includes all assets and liabilities of the Hospital and provides information about the nature and amounts of investments in resources and obligations to its creditors. It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

The statement of operations and changes in net position includes all the current year's revenue and expenses. The next financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Hospital's cash flows from operating activities, capital, and financing activities, and investing activities, as well as providing information of the sources and uses of cash during the year.

THE HOSPITAL'S STATEMENTS OF NET POSITION

Table 1: A summary of the Hospital and component units statements of net position as of December 31, 2022, 2021 and 2020 is presented below (in thousands):

	Restated		Change	Restated	
	2022	2021	2022 - 2021	2020	Change 2021 - 2020
Assets					
Current assets	\$ 41,694	\$ 54,069	\$ (12,375)	\$ 62,401	\$ (8,332)
Assets limited to use (funded depreciation, escrow funds, contributions)	15,577	17,311	(1,734)	17,778	(468)
Capital assets	55,498	55,409	89	53,892	1,517
Interest rate swap	67	-0-	67	-0-	-0-
Other assets	279	279	-0-	279	-0-
Total assets	<u>\$ 113,115</u>	<u>\$ 127,068</u>	<u>\$ (13,953)</u>	<u>\$ 134,350</u>	<u>\$ (7,282)</u>
Liabilities					
Current liabilities	\$ 44,601	\$ 43,983	\$ 618	\$ 27,106	\$ 16,877
Long-term debt, interest rate swap liability and long-term intangible right-to-use lease liabilities	2,824	1,003	1,821	23,412	(22,409)
Total liabilities	<u>47,425</u>	<u>44,986</u>	<u>2,439</u>	<u>50,518</u>	<u>(5,532)</u>
Net position					
Net investment in capital assets	36,107	32,342	3,765	27,729	4,613
Restricted	1,834	2,846	(1,012)	4,254	(1,408)
Unrestricted	27,749	46,894	(19,145)	51,849	(4,955)
Total net position	<u>65,690</u>	<u>82,082</u>	<u>(16,392)</u>	<u>83,832</u>	<u>(1,750)</u>
Total liabilities and net position	<u>\$ 113,115</u>	<u>\$ 127,068</u>	<u>\$ (13,953)</u>	<u>\$ 134,350</u>	<u>\$ (7,282)</u>

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Overall, total assets decreased by approximately \$14 million in 2022 and \$7.3 million in 2021, primarily due to decreases in cash and cash equivalents used to fund operating losses. Total current assets decreased by approximately \$12.4 million during 2022 and \$8.3 million during 2021 primarily due to operating losses which resulted in decreases in cash and cash equivalents and Medicare advanced payments received and subsequently paid as part of the Coronavirus Aid, Relief, and Economic Securities Act.

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

Table 2: A summary of the Hospital and component units' statement of operations and changes in net position for 2022, 2021, and 2020 is presented below (in thousands):

	Restated		Change	Restated	
	2022	2021	2021 - 2020	2020	Change 2021 - 2020
Operating revenues					
Net patient service revenue	\$ 112,583	\$ 110,360	\$ 2,223	\$ 94,197	\$ 16,163
Other revenue	5,072	4,064	1,008	3,090	974
Total operating revenues	<u>117,655</u>	<u>114,424</u>	<u>3,231</u>	<u>97,287</u>	<u>17,137</u>
Operating expenses					
Salaries and benefits	59,577	55,977	3,600	50,816	5,161
Supplies and other	67,861	59,524	8,337	56,035	3,489
Depreciation and amortization	5,647	4,499	1,148	4,278	221
Total expenses	<u>133,085</u>	<u>120,000</u>	<u>13,085</u>	<u>111,129</u>	<u>8,871</u>
Operating loss	(15,430)	(5,576)	(9,854)	(13,842)	8,266
Total non-operating revenue (expense)	<u>(962)</u>	<u>3,826</u>	<u>(4,788)</u>	<u>14,426</u>	<u>(10,600)</u>
Change in net position	(16,392)	(1,750)	(14,642)	584	(2,334)
Net position, beginning of year - restated	<u>82,082</u>	<u>83,832</u>	<u>(1,750)</u>	<u>83,248</u>	<u>584</u>
Net position, end of year - restated	<u>\$ 65,690</u>	<u>\$ 82,082</u>	<u>\$ (16,392)</u>	<u>\$ 83,832</u>	<u>\$ (1,750)</u>

OPERATING AND FINANCIAL PERFORMANCE

Revenue

Net patient revenue in the current year increased by approximately \$2.2 million as compared to 2021. The 2021 net patient revenue increased by approximately \$16.2 million compared to 2020. This is due to large increases in volume during 2021 after the impact of the COVID-19 pandemic during 2020.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Volumes

The Hospital overall experienced increases in outpatient volumes and decreases in inpatient volumes during 2022. Inpatient days were approximately 4,600, 5,500, and 4,700 for 2022, 2021, and 2020. The decreases in inpatient days were primarily the result of healthcare personnel turnover during 2022.

Expenses

The increase in operating expenses of approximately \$13.1 million and \$8.9 million in 2022 and 2021 were primarily attributable to the increase in staffing costs and other inflationary costs increases.

Non-operating Revenues (Expenses)

Non-operating revenues (expenses) decreased by approximately \$4.8 million in 2022 and \$10.6 million in 2021 primarily related to changes in COVID-19 relief funding provided by the federal government.

Overall Results

The Hospital, Foundation (one of the Hospital's blended component units), and Health Professional Resources (HPR) (also a blended component unit of the Hospital) experienced negative results during 2022 and 2021.

For the year ended 2022, the change in net position was approximately negative \$16.4 million compared to negative \$1.8 million in 2021.

SOURCES OF REVENUE

During 2022, the Hospital derived substantially all its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 66%, 67%, and 62% of the Hospital's gross revenue in 2022, 2021, and 2020.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

Following is a table of major sources of gross patient revenues for 2022, 2021 and 2020.

Payor Mix	2022	2021	2020
Medicare	40%	37%	41%
Medicaid	26%	30%	21%
Commercial insurance	17%	15%	18%
Blue Cross/Anthem	15%	16%	17%
Self pay	2%	2%	3%
Total	100%	100%	100%

THE HOSPITAL'S STATEMENT OF CASH FLOWS

Table 3: A summary of the Hospital and component units statement of cash flows for 2022, 2021, and 2020 is presented below (in thousands):

	2022	Restated 2021	Change 2022 - 2021	Restated 2020	Change 2021 - 2020
Cash flow from activities					
Operating activities	\$ (3,638)	\$ (2,490)	\$ (1,148)	\$ (5,422)	\$ 2,932
Noncapital financing activities	172	3,383	(3,211)	14,661	(11,278)
Capital and related financing activities	(7,024)	(9,775)	2,751	(13,173)	3,398
Investing activities	1,185	1,159	26	(70)	1,229
Net change in cash and cash equivalents	<u>\$ (9,305)</u>	<u>\$ (7,723)</u>	<u>\$ (1,582)</u>	<u>\$ (4,004)</u>	<u>\$ (3,719)</u>

The Hospital has experienced negative cash flows from operating activities for 2020-2022, totaling approximately \$3.6 million, \$2.5 million, and \$5.4 million of negative cash flow during 2022, 2021, and 2020.

CAPITAL ASSETS

Net capital assets increased by approximately \$88,000 and \$1.5 million in 2022 and 2021. The majority of the acquisitions during 2021 were attributable to the new electronic medical records and billing system.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2022 AND 2021 (WITH COMPARATIVE TOTALS FOR 2020)

The change in capital assets is outlined in the following table (in thousands):

	Restated			Restated	
	2022	2021	Change 2022 - 2021	2020	Change 2021 - 2020
Land and improvements	\$ 1,894	\$ 1,856	\$ 38	\$ 1,856	\$ -0-
Buildings	72,106	72,068	38	65,419	6,649
Equipment	43,059	43,734	(675)	40,626	3,108
Total depreciable capital assets	<u>117,059</u>	<u>117,658</u>	<u>(599)</u>	<u>107,901</u>	<u>9,757</u>
Less accumulated depreciation	(68,466)	(76,517)	8,051	(72,353)	(4,164)
Construction in progress	<u>3,819</u>	<u>13,282</u>	<u>(9,463)</u>	<u>17,042</u>	<u>(3,760)</u>
Net depreciable capital assets	<u>52,412</u>	<u>54,423</u>	<u>(2,011)</u>	<u>52,590</u>	<u>1,833</u>
Intangible right-to-use assets	4,204	1,645	2,559	1,645	-0-
Less accumulated amortization	<u>(1,119)</u>	<u>(659)</u>	<u>(460)</u>	<u>(343)</u>	<u>(316)</u>
Net intangible right-to-use assets	<u>3,085</u>	<u>986</u>	<u>2,099</u>	<u>1,302</u>	<u>(316)</u>
Capital assets, net	<u>\$ 55,497</u>	<u>\$ 55,409</u>	<u>\$ 88</u>	<u>\$ 53,892</u>	<u>\$ 1,517</u>

LONG-TERM DEBT

The Hospital had approximately \$19.4 million in short and long-term debt at year-end 2022, versus approximately \$22.1 million in 2021.

More detailed information about both capital assets and long-term debt is presented in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

Effective December 31, 2020, the Hospital adopted Governmental Accounting Standards Board Statement No. 87 – *Leases* (GASB No. 87), which requires certain leases to be recorded in the statements of net position.

MEMORIAL HOSPITAL OF LOGANSPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2022 AND 2021
(WITH COMPARATIVE TOTALS FOR 2020)

ECONOMIC OUTLOOK

Management believes that the healthcare industry and the Hospital's operating margins will continue to be under pressure as a result of changes in payor mix and growth in operating expenses that exceed any increases in contractually arranged and legally established payments received for services provided. Another factor that poses a challenge to management is the increasing competitive market for the delivery of healthcare services. This competitive market challenge will potentially be offset by the expected growth in the service area. The Hospital will still be faced with the challenge of providing quality services in an increasingly competitive environment, while at the same time managing costs. The Hospital will be affected by the increases in labor costs due to the competition for healthcare workers. The Hospital is also affected by the uncertainty of federal healthcare reform.

CONCLUSION AND CONTACT INFORMATION

Memorial Hospital of Logansport intends to operate in a fashion that meets its community, operational, and financial obligations. This report is designed to provide a general overview of the Hospital and its finances to our stakeholders. Please address questions or requests regarding this financial report to the chief financial officer, at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

	ASSETS	
	2022	Restated 2021
Current assets		
Cash and cash equivalents	\$ 17,954,016	\$ 27,292,128
Patient accounts receivable	20,126,662	22,391,089
Current portion of pledges receivable	54,496	38,514
Supplies and other current assets	3,559,294	4,346,910
Total current assets	41,694,468	54,068,641
Assets limited as to use		
Internally designated	13,797,559	14,503,789
Held by trustee	1,090,693	2,100,018
Restricted by contributors and grantors	688,665	707,062
Total assets limited as to use	15,576,917	17,310,869
Capital assets		
Land and construction in progress	4,697,054	14,160,325
Intangible right-to-use assets, net	3,085,348	986,829
Depreciable capital assets, net	47,715,196	40,261,953
Total capital assets	55,497,598	55,409,107
Interest rate swap agreements	66,730	-0-
Other assets	279,198	279,198
Total assets	\$ 113,114,911	\$ 127,067,815

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF NET POSITION DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET POSITION

	2022	Restated 2021
Current liabilities		
Current portion of long-term debt and capital leases	\$ 19,281,000	\$ 21,890,000
Current portion of intangible right-to-use lease liabilities	436,786	311,665
Accounts payable and accrued expenses	18,250,317	12,313,828
Accrued payroll and related liabilities	3,511,176	3,327,997
Estimated third-party payor settlements	3,121,957	6,139,555
Total current liabilities	<u>44,601,236</u>	<u>43,983,045</u>
Non current liabilities		
Interest rate swap agreements	-0-	137,409
Intangible right-to-use lease liabilities, net of current portion	2,713,881	695,395
Long-term debt, net of current portion	110,000	170,000
Total liabilities	<u>47,425,117</u>	<u>44,985,849</u>
Net position		
Net investment in capital assets	36,106,598	32,342,047
Restricted		
Held by trustee	1,090,693	2,100,018
Expendable for specific operating activities	406,485	408,900
Nonexpendable permanent endowments	336,676	336,676
Unrestricted	27,749,342	46,894,325
Total net position	<u>65,689,794</u>	<u>82,081,966</u>
Total liabilities and net position	<u>\$ 113,114,911</u>	<u>\$ 127,067,815</u>

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Restated 2021
Operating revenues		
Net patient revenue (net of provisions for bad debt)	\$ 112,582,882	\$ 110,359,862
Other	5,071,864	4,064,177
Total operating revenues	117,654,746	114,424,039
Operating expenses		
Salaries and benefits	59,577,047	55,976,521
Medical and other professional fees	14,486,533	12,409,542
Medical supplies and drugs	19,951,449	17,165,436
Other supplies	2,746,722	1,387,411
Depreciation and amortization	5,647,007	4,498,673
Rent and leases	1,125,037	1,429,035
Utilities and postage	1,440,436	1,414,267
Maintenance and repairs	590,172	631,589
Insurance	1,034,819	930,459
Hospital assessment fee	5,280,101	3,766,231
Purchased services and other	21,205,899	20,390,631
Total operating expenses	133,085,222	119,999,795
Operating loss	(15,430,476)	(5,575,756)
Nonoperating revenues (expenses)		
Investment income (loss)	(582,348)	870,893
Interest expense	(693,228)	(684,228)
COVID-19 grant funds	-0-	3,390,898
Noncapital grants and contributions	338,039	160,983
Other revenues (expenses)	(24,159)	87,211
Total nonoperating revenues (expenses)	(961,696)	3,825,757
Change in net position	(16,392,172)	(1,749,999)
Net position beginning of the year - restated	82,081,966	83,831,965
Net position end of year - restated	\$ 65,689,794	\$ 82,081,966

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	Restated 2021
Operating activities		
Cash received from patients and third party payors	\$ 114,881,818	\$ 111,304,137
Cash paid to employees for salaries and benefits	(59,393,868)	(55,531,946)
Cash paid to vendors for goods and services	(64,197,637)	(62,696,591)
Other operating receipts	5,071,864	4,433,984
Net cash flows from operating activities	(3,637,823)	(2,490,416)
Noncapital financing activities		
COVID-19 grant funds	-0-	3,390,898
Noncapital grants, contributions, and other	171,560	(7,807)
Net cash flows from noncapital financing activities	171,560	3,383,091
Capital and related financing activities		
Capital grants and contributions	(15,982)	120,002
Acquisition of capital assets	(3,229,092)	(6,084,364)
Payments on intangible right-to-use lease liabilities	(416,151)	(305,415)
Principal paid on long-term debt	(2,669,000)	(2,801,727)
Interest paid on intangible right-to-use lease liabilities	(112,093)	(64,392)
Interest paid on long-term debt	(581,135)	(639,326)
Net cash flows from capital and related financing activities	(7,023,453)	(9,775,222)
Investing activities		
Investment income	(582,348)	870,893
Purchases of investments in assets whose use is limited	322,025	(137,990)
Proceeds from sale of investments in assets whose use is limited	1,445,156	426,355
Net cash flows from investing activities	1,184,833	1,159,258
Net change in cash and cash equivalents	(9,304,883)	(7,723,289)
Cash and cash equivalents at beginning of year	32,076,851	39,800,140
Cash and cash equivalents at end of year	\$ 22,771,968	\$ 32,076,851
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	\$ 17,954,016	\$ 27,292,128
Cash and cash equivalents in assets limited as to use	4,817,952	4,784,723
Total cash and cash equivalents	\$ 22,771,968	\$ 32,076,851

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSPORT

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
	<u> </u>	<u> </u>
Reconciliation of operating loss to net cash flows from operating activities		
Operating loss	\$ (15,430,476)	\$ (5,575,756)
Adjustments to reconcile operating loss to net cash flows from operating activities		
Depreciation and amortization	5,647,007	4,498,673
Provision for bad debts	8,347,120	8,450,626
Changes in:		
Patient accounts receivable	(6,082,693)	(7,497,387)
Supplies, other current assets and other assets	725,797	(213,310)
Accounts payable and accrued expenses	5,989,841	1,347,411
Accrued payroll and related liabilities	183,179	444,575
Estimated third-party payor settlements	(3,017,598)	(3,945,248)
Net cash flows from operating activities	<u>\$ (3,637,823)</u>	<u>\$ (2,490,416)</u>
Noncash financing activities		
Property additions included in accounts payable	\$ -0-	\$ 53,352

See accompanying notes to financial statements.

MEMORIAL HOSPITAL OF LOGANSFORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Memorial Hospital of Logansport (the Hospital) is a county-owned facility and operates under the Indiana County Hospital Law, Indiana Code 16-22. The Hospital provides acute care including inpatient, outpatient, and emergency care as well as long-term care to Cass County and other surrounding counties.

The Board of County Commissioners of Cass County appoints the Governing Board of the Hospital (Board), and a financial benefit/burden relationship exists between Cass County (the County) and the Hospital. For these reasons, the Hospital is considered a discrete component unit of the County.

The Board of County Commissioners of Cass County, upon written request of the Hospital Board of Trustees created the Memorial Hospital of Logansport Association (the Association). The Association, which is included in the Hospital, was created pursuant to the provisions of Indiana Code 16-22-6 for the exclusive purpose of financing and constructing hospital facilities for the Hospital. The Association is a component unit which has no assets, no liabilities and conducts no operating activities.

Pursuant to the provision of long-term care, beginning in 2012, the Hospital owns the operations of two long-term care facilities by way of an arrangement with the manager of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

Related thereto, the Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the manager. Concurrently, the Hospital entered into agreements with the manager to manage the above-leased facilities. As part of the agreements, the Hospital will pay the manager a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements were scheduled to expire on July 1, 2024. However, all parties involved can terminate the agreement without cause with 120 days written notice, and the manager of the facilities notified the Hospital of their intent to and terminated the agreement on June 30, 2023.

Other current assets and liabilities related to long-term care include certain reimbursement receivables, accrued fees, and expenses, and working capital balances related to the long-term care facilities.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The accompanying financial statements present the activities of the Hospital (primary government) and its significant component units. The component units discussed below are included in the Hospital's reporting entity because of the significance of their operational or financial relationships with the Hospital. Blended component units, although legally separate entities, are in substance part of the government's operations and exist solely to provide services for the government; data from these units is with data of the primary government.

The financial statements of the Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of Cass County attributable to the transactions of the Hospital and its blended component units. They do not purport to, and do not, present fairly the financial position of Cass County as of December 31, 2022 and 2021, the changes in its financial position or its cash flows for the years then ended.

Blended Component Units

Memorial Hospital Foundation of Cass County, Inc. d/b/a Memorial Hospital Foundation (the Foundation), is a significant blended component unit of the Hospital. The purpose of the Foundation is to assist in raising contributions from the community in order to enhance the ability of the Hospital to service the health needs of the patients it serves. The Hospital appoints a voting majority of the Foundation's Board, and a financial benefit/burden relationship exists between the Hospital and the Foundation. Although it is legally separate from the Hospital, the Foundation is reported as if it were a part of the Hospital because it is substantively the same.

Health Professional Resources, Inc., (HPR) is a significant blended component unit wholly owned by the Hospital. HPR operates a community pharmacy and provides food service for a local county mental health organization. The primary government appoints a voting majority of HPR's Board and can impose its will. Although it is legally separate from the Hospital, HPR is reported as if it were a part of the Hospital because the two boards are substantively the same.

All significant intercompany transactions have been eliminated in the financial statements.

Complete financial statements for these components can be requested from Hospital administration located at Memorial Hospital of Logansport, 1101 Michigan Avenue, Logansport IN, 46947.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and investments in liquid debt instruments with an original maturity of three months or less.

Assets Limited as to Use

Assets whose use is limited are stated at fair value in the financial statements. These assets include investments designated by the Hospital's Board for internal purposes and investments held by trustees for debt service and capital improvements. These investments consist primarily of cash and cash equivalents, certificates of deposit, money market deposit accounts, mutual funds, and equities. Amounts restricted by contributors or grantors consist of amounts designated to be restricted for a particular purpose in accordance with donor or grantor agency stipulations. Investment income, to the extent not capitalized, is reported as nonoperating revenue in the statements of operations and changes in net position.

Investments: Debt and Equity Securities and Other Investments

Debt and equity securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury, fully insured, or guaranteed by the United States or any United States government agency.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investments in affiliated companies are reported using the equity method of accounting, or at cost, as applicable.

Investment income, including changes in the fair value of investments, is reported as non-operating revenues in the statements of operations and changes in net position.

Capital Assets

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added which exceed \$1,000 and meet certain useful life thresholds. Maintenance, repairs, and minor renewals are expensed as incurred. The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The range of useful lives in computing depreciation is as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	\$1,000	Straight-line	20 years
Buildings	\$1,000	Straight-line	30 years
Equipment	\$1,000	Straight-line	3-15 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Intangible right-of use assets are recognized on the lease commencement date in an amount that represents the present value of the future lease payments over the lease term. Intangible right-to-use assets are amortized over the term of the current lease.

Patient Accounts Receivable and Revenues

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed and are reported based on gross charges net of certain deductions from those charges. Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital is reimbursed for Medicare and Medicaid inpatient services based on a fixed price per discharge for each diagnosis related grouping. The Hospital is reimbursed for Medicare and Medicaid outpatient services based on a fixed price per clinical unit of service. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying financial statements.

These programs have audited the year-end cost report filed with the Medicare program through December 31, 2019, with differences reflected as deductions from revenue. Amounts for unresolved cost reports for 2019 through 2022 as well as other allowances are reflected in estimated third-party settlements on the statements of net position. Differences from the prior year estimates related to the cost report settlements have been deemed immaterial by management for financial statement disclosure.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Hospital Assessment Fee (HAF) Program

The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share payments for Indiana hospitals as reflected in the hospital assessment fee expense reported in the statements of operations and changes in net position.

Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. During 2022 and 2021, the Hospital recognized hospital assessment fee expense of approximately \$5,280,000 and \$3,766,000, respectively, which resulted in increased Medicaid reimbursement.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts deemed to be charity care are reported as deductions from revenues.

Of the Hospital's total expenses reported, an estimated \$727,000 and \$907,000 arose from providing services to charity patients during the years ended December 31, 2022 and 2021, respectively. The estimated costs of providing charity services are based on a calculation that applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses divided by gross patient service revenue.

Net Position

Net position of the Hospital is classified in various components. Net position – net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue note indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Restricted Net Position

Expendable net position restricted for specific operating activities are available for the following purposes:

	2022	2021
Charity care	\$ 280,440	\$ 281,417
Capital campaign	34,176	34,176
Capital projects fund	48,158	48,072
Other	43,711	45,235
Total	<u>\$ 406,485</u>	<u>\$ 408,900</u>

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Restricted nonexpendable net position as of December 31, 2022 and 2021 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the permanent endowments are expendable to support the activities of the Hospital.

Operating Revenues and Expenses

The Hospital's statements of operations and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Hospital's principal activity. Non-exchange revenues including grants, and contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Hospital receives grants from Cass County and the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Pledges Receivable

The Foundation records unconditional promises to give (pledges) at fair value at the date the promise is received. Total pledges receivable is expected to be collected within one year of the statement of net position date and are not material to the financial statements.

Compensated Absences

Short-Term Disability

The Hospital utilizes a short-term disability benefit program. The Hospital self-funds their short-term disability program as expenses is incurred.

Personal Leave

Hospital employees who work at least 32 hours per pay period earn personal leave at the rate of 72 to 144 hours per year based upon the number of years of service. Unused personal leave may be accumulated to a maximum of 240 hours. Accumulated personal leave is paid to employees through a lump sum cash payment upon separation of employment.

Personal leave is accrued when incurred and reported as a liability.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 22, of the Indiana statutes. The Internal Revenue Service recognizes the Hospital as exempt from federal income tax as a charitable, educational, and scientific organization as described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Memorial Hospital Foundation is also a 501(c)(3) not-for-profit organization. Health Professional Resources, Inc. is an Indiana corporation. Income taxes for HPR for those that are currently due and for deferred taxes have been deemed immaterial by management for separate disclosure within these financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital (and its component units) and recognize a tax liability if the Hospital or its component units have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities.

Management has analyzed the tax positions taken and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Hospital and its component units are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Where applicable, these entities have filed their federal and state income tax returns for periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Advertising

The Hospital uses advertising for recruiting and to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. The total amount of advertising expense was approximately \$795,000 and \$709,000 during 2022 and 2021, respectively, and are included within purchased services and other in the statements of operations and changes in net position.

Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; job related illnesses or injuries to employees; medical benefits to employees and dependents. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims from these risks have not exceeded commercial insurance coverage for the past several years.

Other Revenue

Other revenue consists of pharmacy sales from one of the component units of approximately \$1,891,000 and \$1,647,000 for 2022 and 2021 after intercompany eliminations. The remainder of other revenue is generated by the Hospital and consists of cafeteria sales, revenue associated with renting and cleaning the medical office buildings, electronic health record incentive payments, and other.

Subsequent Events

The Hospital evaluated events or transactions occurring subsequent to the statement of net position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is January 17, 2024.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

2. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 87

On December 31, 2020, the Hospital implemented Governmental Accounting Standards Board (GASB) Statement No. 87 – *Leases* (GASB No. 87), which requires all leases that have a maximum possible term greater than 12 months to be recorded in the statements of net position. Previously, leases classified as operating leases were not recorded in the statements of net position. The following table outlines the prior period adjustments necessary to implement this standard.

Net position - December 31, 2020, as previously reported	\$ 83,843,026
GASB Statement No. 87 implementation:	
Intangible leased assets	1,644,555
Accumulated amortization	(343,141)
Lease liabilities	(1,312,475)
Net change in beginning net position	(11,061)
Net position - December 31, 2020, as restated	<u>\$ 83,831,965</u>
Net position - December 31, 2021, as previously reported	\$ 82,102,197
GASB Statement No. 87 implementation:	
Intangible leased assets	1,644,555
Accumulated amortization	(657,726)
Lease liabilities	(1,007,060)
Net change in beginning net position	(20,231)
Net position - December 31, 2021, as restated	<u>\$ 82,081,966</u>

GASB Statement No. 91

During 2022, the Hospital implemented GASB Statement No. 91 – *Conduit Debt Obligations*. The statement requires a single method of reporting conduit debt obligations by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, and establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations.

3. FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying statements of net position. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

transaction, which requires an entity to maximize the use of observable inputs when measuring fair value.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021. The Hospital does not have any level 3 assets or liabilities.

- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Equities*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Interest rate swap agreements*: Valued using pricing models that are derived principally from observable market data based on discounted cash flows and interest rate yield curves at quoted intervals for the full term of the swap.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021 are as follows:

	2022			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 1,744,621	\$ 1,744,621	\$ -0-	\$ -0-
Large value	1,876,773	1,876,773	-0-	-0-
Total mutual funds	3,621,394	3,621,394	-0-	-0-
Equities				
Basic materials	40,646	40,646	-0-	-0-
Communication services	65,614	65,614	-0-	-0-
Consumer defensive	188,699	188,699	-0-	-0-
Energy	92,833	92,833	-0-	-0-
Financial services	199,829	199,829	-0-	-0-
Healthcare	117,910	117,910	-0-	-0-
Industrials	124,643	124,643	-0-	-0-
Real estate	87,942	87,942	-0-	-0-
Technology	154,472	154,472	-0-	-0-
Other	91,305	91,305	-0-	-0-
Total equities	1,163,893	\$ 1,163,893	\$ -0-	\$ -0-
Money market deposit accounts	4,817,952			
Accrued interest	29,654			
Certificates of deposit *	5,944,024			
Total assets whose use is limited	\$ 15,576,917			
Assets				
Interest rate swap agreements	\$ 66,730	\$ -0-	\$ 66,730	\$ -0-

* Certificates of deposit are reported at contract value

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

	2021			
	Total	Level 1	Level 2	Level 3
Assets				
Assets whose use is limited				
Mutual funds				
Intermediate-term bond	\$ 2,229,731	\$ 2,229,731	\$ -0-	\$ -0-
Large value	2,922,058	2,922,058	-0-	-0-
Total mutual funds	<u>5,151,789</u>	<u>5,151,789</u>	-0-	-0-
Equities				
Basic materials	49,703	49,703	-0-	-0-
Communication services	39,751	39,751	-0-	-0-
Consumer defensive	157,120	157,120	-0-	-0-
Energy	73,628	73,628	-0-	-0-
Financial services	226,250	226,250	-0-	-0-
Healthcare	92,303	92,303	-0-	-0-
Industrials	127,240	127,240	-0-	-0-
Real estate	129,295	129,295	-0-	-0-
Technology	268,864	268,864	-0-	-0-
Utilities	96,168	96,168	-0-	-0-
Total equities	<u>1,260,322</u>	<u>\$ 1,260,322</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Money market deposit accounts	4,784,723			
Accrued interest	18,815			
Certificates of deposit *	6,095,220			
Total assets whose use is limited	<u>\$ 17,310,869</u>			
Liabilities				
Interest rate swap agreements	<u>\$ 137,409</u>	<u>\$ -0-</u>	<u>\$ 137,409</u>	<u>\$ -0-</u>

* Certificates of deposit are reported at contract value

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. The Hospital did not have any transfers between levels as of December 31, 2022 and 2021.

Realized gains and losses and interest and dividend income are reported in the statements of operations and changes in net position as a component of investment income. Net realized gains and losses and interest and dividend income approximated \$320,000 and \$272,000 during 2022 and 2021, respectively.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The unrealized gains and losses are included in earnings for the period attributable to the change in unrealized gains and losses relating to assets held as of December 31, 2022 and 2021. During 2022 and 2021, the Hospital recognized unrealized losses of approximately \$907,000 and unrealized gains of \$599,000, respectively, which is included in the statement of operations and changes in net position as a component of investment income.

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

4. ASSETS LIMITED AS TO USE

The composition of assets limited as to use includes the following as of December 31:

	2022	2021
Internally designated		
Funded depreciation		
Money market deposit accounts	\$ 3,727,259	\$ 2,684,705
Investments	10,040,646	11,800,269
Accrued interest receivable	29,654	18,815
Total funded depreciation	<u>13,797,559</u>	<u>14,503,789</u>
Held by trustee		
Money market deposit accounts	1,090,693	2,100,018
Restricted by contributors and grantors		
Investments	<u>688,665</u>	<u>707,062</u>
Total assets limited as to use	<u>\$ 15,576,917</u>	<u>\$ 17,310,869</u>

5. DEPOSITS AND INVESTMENTS

Deposits and Investments

Deposits with financial institutions in the State of Indiana at year-end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried generally at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis. Funded depreciation investments consist of certificates of deposits, mutual funds, and equities.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

As of December 31, 2022 and 2021, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

December 31, 2022

	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 5,944,024	\$ 2,740,702	\$ 3,203,322	\$ -0-	\$ -0-
Mutual funds	3,621,394	3,621,394	-0-	-0-	-0-
Equities	1,163,893	1,163,893	-0-	-0-	-0-
	<u>\$ 10,729,311</u>	<u>\$ 7,525,989</u>	<u>\$ 3,203,322</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

December 31, 2021

	Carrying Amount	Investment Matures (in years)			
		Less than 1	1-5	6-10	More than 10
Certificates of deposit	\$ 6,095,220	\$ 2,658,399	\$ 3,436,821	\$ -0-	\$ -0-
Mutual funds	5,151,789	5,151,789	-0-	-0-	-0-
Equities	1,260,322	1,260,322	-0-	-0-	-0-
	<u>\$ 12,507,331</u>	<u>\$ 9,070,510</u>	<u>\$ 3,436,821</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Interest rate risk – The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market funds, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations. It is the Hospital's policy to invest only in securities that meet the ratings requirements set by state statute.

Concentration of credit risk – The Hospital places no limit on the amount it may invest in any one issuer. The Hospital believes that it is not exposed to any significant credit risk on investments.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Deposits and investments consist of the following as of December 31:

	2022	2021
Carrying amount		
Deposits	\$ 22,771,968	\$ 32,076,851
Accrued interest	29,654	18,815
Investments	10,729,311	12,507,331
	\$ 33,530,933	\$ 44,602,997
Included in the statements of net position captions		
Cash and cash equivalents	\$ 17,954,016	\$ 27,292,128
Internally designated	13,797,559	14,503,789
Held by trustee for debt service	1,090,693	2,100,018
Restricted by contributors and grantors	688,665	707,062
	\$ 33,530,933	\$ 44,602,997

6. ACCOUNTS RECEIVABLE AND PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at year-end consisted of these amounts as of December 31, 2022 and 2021:

	2022	2021
Patient accounts receivable		
Receivable from patients and their insurance carriers	\$ 31,353,671	\$ 37,166,040
Receivable from Medicare	18,739,310	30,356,723
Receivable from Medicaid	8,894,305	9,936,754
Total patient accounts receivable	58,987,286	77,459,517
Less allowance for contractual agreements	(23,996,741)	(38,624,483)
Less allowance for doubtful accounts	(14,863,883)	(16,443,945)
Patient accounts receivable, net	\$ 20,126,662	\$ 22,391,089
Accounts payable and accrued expenses		
Payable to suppliers	\$ 18,250,317	\$ 12,313,828
Payable to employees (including payroll taxes and benefits)	3,511,176	3,327,997
Total accounts payable and accrued expenses	\$ 21,761,493	\$ 15,641,825

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

7. CAPITAL ASSETS

A summary of capital assets at December 31, 2022 and 2021 follows:

	Balance December 31, 2021	Additions	Retirements	Transfers	Balance December 31, 2022
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	38,500	-0-	-0-	1,016,081
Building and improvements	72,067,913	-0-	(508,151)	546,284	72,106,046
Equipment	43,733,574	713,389	(12,728,819)	11,340,838	43,058,982
Construction in progress	13,281,988	2,423,851	-0-	(11,887,122)	3,818,717
Total depreciable capital assets	<u>130,939,393</u>	<u>3,175,740</u>	<u>(13,236,970)</u>	<u>-0-</u>	<u>120,878,163</u>
Less accumulated depreciation					
Land improvements	(640,469)	(37,023)	-0-	-0-	(677,492)
Building and improvements	(42,797,507)	(2,022,275)	508,151	-0-	(44,311,631)
Equipment	(33,079,139)	(3,126,470)	12,728,819	-0-	(23,476,790)
Total accumulated depreciation	<u>(76,517,115)</u>	<u>(5,185,768)</u>	<u>13,236,970</u>	<u>-0-</u>	<u>(68,465,913)</u>
Depreciable capital assets, net	54,422,278	(2,010,028)	-0-	-0-	52,412,250
Leased equipment	1,274,652	-0-	-0-	-0-	1,274,652
Leased buildings	369,903	2,559,758	-0-	-0-	2,929,661
Total intangible right-to-use assets	<u>1,644,555</u>	<u>2,559,758</u>	<u>-0-</u>	<u>-0-</u>	<u>4,204,313</u>
Less accumulated amortization					
Leased equipment	(603,783)	(268,348)	-0-	-0-	(872,131)
Leased buildings	(53,943)	(192,891)	-0-	-0-	(246,834)
Total accumulated amortization	<u>(657,726)</u>	<u>(461,239)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,118,965)</u>
Intangible right-to-use assets, net	986,829	2,098,519	-0-	-0-	3,085,348
Capital assets, net	<u>\$ 55,409,107</u>	<u>\$ 88,491</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,497,598</u>

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

	Balance December 31, 2020	Additions	Retirements	Transfers	Balance December 31, 2021
Land	\$ 878,337	\$ -0-	\$ -0-	\$ -0-	\$ 878,337
Land improvements	977,581	-0-	-0-	-0-	977,581
Building and improvements	65,419,011	-0-	-0-	6,648,902	72,067,913
Equipment	40,625,728	1,841,516	-0-	1,266,330	43,733,574
Construction in progress	17,042,150	4,155,070	-0-	(7,915,232)	13,281,988
Total depreciable capital assets	124,942,807	5,996,586	-0-	-0-	130,939,393
Less accumulated depreciation					
Land improvements	(604,038)	(36,431)	-0-	-0-	(640,469)
Building and improvements	(40,753,606)	(2,043,901)	-0-	-0-	(42,797,507)
Equipment	(30,994,873)	(2,084,266)	-0-	-0-	(33,079,139)
Total accumulated depreciation	(72,352,517)	(4,164,598)	-0-	-0-	(76,517,115)
Depreciable capital assets, net	52,590,290	1,831,988	-0-	-0-	54,422,278
Leased equipment	1,274,652	-0-	-0-	-0-	1,274,652
Leased buildings	369,903	-0-	-0-	-0-	369,903
Total intangible right-to-use assets	1,644,555	-0-	-0-	-0-	1,644,555
Less accumulated amortization					
Leased equipment	(335,435)	(268,348)	-0-	-0-	(603,783)
Leased buildings	(7,706)	(46,237)	-0-	-0-	(53,943)
Total accumulated amortization	(343,141)	(314,585)	-0-	-0-	(657,726)
Intangible right-to-use assets, net	1,301,414	(314,585)	-0-	-0-	986,829
Capital assets, net	\$ 53,891,704	\$ 1,517,403	\$ -0-	\$ -0-	\$ 55,409,107

The estimated cost to complete outstanding construction projects at December 31, 2022 approximate \$1.2 million, primarily related to additional payments owed on updating of the chilled water plant. This will be paid from unrestricted cash and investments.

Intangible right-to-use assets

Effective December 31, 2020, the Hospital implemented the guidance in GASB No. 87 and recognized the value of equipment leased under long-term contracts. As of December 31, 2021, the Hospital had one lease agreement in place for equipment and one lease in place for a building. During 2022, the Hospital entered into a second lease agreement for a building. Terms of the leases are described in Note 9.

MEMORIAL HOSPITAL OF LOGANSPOUR

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

8. LONG-TERM DEBT

The terms and due dates of the Hospital's long-term debt at December 31, 2022 and 2021 are as follows:

- 2013A tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2038, collateralized by property and equipment with a net book value of approximately \$51,161,000 and \$52,164,000 at December 31, 2022 and 2021, respectively. Interest rate is variable at 3.88% as of December 31, 2022. An associated interest rate swap has fixed rate of 2.77% with an asset fair value of approximately \$38,000 and a liability fair value of approximately \$101,000 as of December 31, 2022 and 2021, respectively, the effects of which are immaterial to the financial statements as a whole. The bonds were paid off in full in August 2023.
- 2013B tax-exempt revenue bonds, principal maturing in varying amounts due May 1, 2024, collateralized by property and equipment with a net book value of approximately \$51,161,000 and \$52,164,000 at December 31, 2022 and 2021, respectively. Interest rate is variable at 4.01% as of December 31, 2022. An associated interest rate swap has fixed rate of 2.39% with an asset fair value of approximately \$29,000 and a liability fair value of approximately \$37,000 as of December 31, 2022 and 2021, respectively, the effects of which are immaterial to the financial statements as a whole. The bonds were paid off in full in August 2023.
- 2019A tax exempt revenue bonds, principal maturing in varying amounts due March 1, 2034, collateralized by property and equipment with a net book value of approximately \$51,161,000 and \$52,164,000 at December 31, 2022 and 2021, in addition to the assets held by Trustee of approximately \$2,100,000. Interest rate is fixed at 3.0%. The bonds were paid off in full in August 2023.
- 2016 equipment loan payable, fixed interest rate of 3.4%. The loan was paid off during 2021.
- During 2020, the Hospital entered into an installment contract to purchase real estate for approximately \$410,000, with payments of approximately \$5,000 a month and an imputed interest rate of 4%. The installment contract is collateralized by real estate and equipment with an approximate net book value of \$375,000 and \$405,000 at December 31, 2022 and 2021.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

The Hospital and the Indiana Financing Authority (the Authority) entered into an agreement with Huntington Public Capital Corporation (Huntington) whereby Huntington purchased from the Authority all the Series 2013A and 2013B tax-exempt revenue bonds (2013 Bonds) in a private placement. The agreement provided that Huntington would hold the Series 2013 Bonds during the Initial Mode Period which ran through May 2023. During the Initial Mode Period, the Series 2013 Bonds bore interest at the Initial Rate Mode (LIBOR plus 32 basis points plus the applicable spread of 150 basis points for the 2013A Bonds and LIBOR plus 32 basis points plus the applicable spread of 130 basis points for the 2013B Bonds) for 120 months with principal and interest payments determined using a 25-year amortization schedule for the 2013A Series revenue bonds and a 20-year amortization schedule for the 2013B Series revenue bonds.

At the end of the Initial Mode Period, the Series 2013 bonds could have been converted to another interest rate mode and remarketed to another bondholder or holders or renewed for another term period with Huntington. The Series 2013 Bonds could be converted to another interest rate mode to accommodate market conditions at that time. As noted below, Huntington did not renew the bonds for another term and the Hospital paid off the bonds in August 2023.

The Hospital and the Authority entered into an agreement with Siemens Public, Inc. (Siemens) whereby Siemens purchased from the Authority all the Series 2019 tax-exempt revenue bonds (2019 Bonds) in a private placement. The agreement provided that Siemens would hold the Series 2019 Bonds during the Initial Mode Period which runs through March 2034.

Under the terms of the revenue bond indenture, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with restricted cash and investments in the statements of net position. The revenue bond indenture also places limits on the incurrence of additional borrowings and requires that the Hospital satisfy certain measures of financial performances as long as the bonds are outstanding. The Hospital is also required to meet certain financial covenants. The Hospital did not meet the debt service coverage ratio covenant for the Series 2013 and Series 2019 Bonds from March 31, 2021 through March 31, 2023 and were deemed to be in default under the 2013 and 2019 Bond agreements by Huntington and Siemens. The Hospital did not receive a waiver for the debt covenant violations and the bonds were paid off in August 2023. Therefore, the bonds were shown as current on December 31, 2022. See Note 17 for further information.

As the Hospital was in the default of the 2013 and 2019 Bonds, the interest rate on the bonds was increased by 3% from the date of the first covenant violation, which was April 1, 2021. The total payoff of the 2013 and 2019 Bonds including accrued default interest and associated legal fees and other bank fees was approximately \$7,690,000 and \$10,297,000.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

A summary of long-term debt as of December 31, 2022 and 2021 includes the following:

	Balance at December 31, 2021	Additional borrowings	Payments	Balance at December 31, 2022	Current portion	Long-term portion
2013A Bonds - direct placement	\$ 6,612,000	\$ -0-	\$ 324,000	\$ 6,288,000	6,288,000	\$ -0-
2013B Bonds - direct placement	3,637,000	-0-	1,543,000	2,094,000	2,094,000	-0-
2019 Bonds - direct placement	11,581,000	-0-	742,000	10,839,000	10,839,000	-0-
Installment note	230,000	-0-	60,000	170,000	60,000	110,000
	<u>\$ 22,060,000</u>	<u>\$ -0-</u>	<u>\$ 2,669,000</u>	<u>\$ 19,391,000</u>	<u>\$ 19,281,000</u>	<u>\$ 110,000</u>

	Balance at December 31, 2020	Additional borrowings	Payments	Balance at December 31, 2021	Current portion	Long-term portion
2016 Equipment loan - direct borrowing	\$ 160,687	\$ 27,318	\$ 188,005	\$ -0-	\$ -0-	\$ -0-
2013A Bonds - direct placement	6,926,000	-0-	314,000	6,612,000	6,612,000	-0-
2013B Bonds - direct placement	5,137,000	-0-	1,500,000	3,637,000	3,637,000	-0-
2019 Bonds - direct placement	12,301,000	-0-	720,000	11,581,000	11,581,000	-0-
Installment note	337,040	10,000	117,040	230,000	60,000	170,000
	<u>\$ 24,861,727</u>	<u>\$ 37,318</u>	<u>\$ 2,839,045</u>	<u>\$ 22,060,000</u>	<u>\$ 21,890,000</u>	<u>\$ 170,000</u>

Scheduled principal and interest payments on long-term debt at December 31, 2022, including the effect of the 2013 and 2019 Bond payoffs noted above, are as follows:

Years Ending December 31,	Bonds - Direct Placements		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 19,221,000	\$ 1,172,868	\$ 60,000	\$ 8,500	\$ 19,281,000	\$ 1,181,368
2024	-0-	-0-	60,000	5,500	60,000	5,500
2025	-0-	-0-	50,000	2,500	50,000	2,500
	<u>\$ 19,221,000</u>	<u>\$ 1,172,868</u>	<u>\$ 170,000</u>	<u>\$ 16,500</u>	<u>\$ 19,391,000</u>	<u>\$ 1,189,368</u>

The future interest payments related to the 2013 bonds were based upon two interest rate swap agreements, the effects of which are immaterial to the financial statements.

9. INTANGIBLE RIGHT-TO-USE LEASE LIABILITIES

In 2022, the System implemented the guidance of GASB No. 87, for accounting and reporting leases that had previously been reported as operating leases.

Equipment Lease

The Hospital leases Magnetic Resonance Imaging (MRI) equipment for a term of 4.75 years. The lease requires a minimum monthly lease payment of \$23,288, plus additional charges for excess usage and excluding applicable taxes. The Hospital will make the payments on the lease until the agreement expires in July 2024. For purposes of discounting future payments on the equipment lease, the Hospital used the interest rate (1.69%) stated in the equipment lease agreement. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7. The prior period adjustment is discussed in Note 2.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Building Leases

The Hospital leases various building space for terms ranging from 8 years to 16 years. The leases require minimum monthly lease payments ranging from \$4,552 to \$18,398, plus additional charges for excess usage and excluding applicable taxes. The Hospital will make the payments on the leases until the agreements expires in November 2028 and February 2038. For purposes of discounting future payments on the equipment lease, the Hospital used their incremental borrowing rate (4.25%). The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 7. The prior period adjustment is discussed in Note 2.

Remaining payments on these leases include:

	Lease payments to maturity		
	Principal	Interest	Total
2023	\$ 436,787	\$ 118,059	\$ 554,846
2024	308,275	106,845	415,120
2025	176,568	98,826	275,394
2026	184,221	91,173	275,394
2027	192,205	83,189	275,394
Thereafter	1,852,611	419,005	2,271,616
	\$ 3,150,667	\$ 917,097	\$ 4,067,764

10. NET PATIENT REVENUE

Net patient revenue consists of the following on December 31:

	2022	2021
Inpatient revenue	\$ 42,190,202	\$ 52,970,870
Outpatient revenue	247,465,581	210,776,541
Long term care	10,892,679	10,945,002
Gross patient revenue	300,548,462	274,692,413
Contractual allowances	(178,035,970)	(153,888,665)
Charity care	(1,582,490)	(1,993,260)
Bad debt expense	(8,347,120)	(8,450,626)
Deductions from revenue	(187,965,580)	(164,332,551)
Net patient revenue	\$ 112,582,882	\$ 110,359,862

MEMORIAL HOSPITAL OF LOGANSFORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

11. EMPLOYEE HEALTH PLAN

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The plan has annual reinsurance coverage starting at a specific level of \$300,000 per individual with no lifetime maximum reimbursement per covered person. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital maintains reinsurance including a stop loss for specific incident claims over a stipulated amount per year. Substantially all employees are covered for major medical benefits.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

Changes in the balance of claim liabilities during the past two years are as follows:

	<u>2022</u>	<u>2021</u>
Unpaid claims, beginning of year	\$ 1,419,480	\$ 1,030,922
Incurred claims and costs	9,550,981	9,004,769
Claim payments	(9,567,021)	(8,616,211)
Unpaid claims, end of year	<u>\$ 1,403,440</u>	<u>\$ 1,419,480</u>

12. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan, the Memorial Hospital of Logansport 403(b) Matching Plan (403(b) Plan), as authorized by Indiana Code 16-22-3-11, which is administered by the Hospital. The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and ING National Trust, ING Financial Advisors, LLC, and ING Life Insurance and Annuity Company, as the plan administrators. If an employee chooses to participate in the 403(b) portion of the plan, the Hospital will match employee contributions up to 2% of gross wages. Hospital contributions to the plan were approximately \$452,000 and \$438,000 for 2022 and 2021, respectively, and reflected as salaries and benefits in the statements of operations and changes in net position.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

13. CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Logansport, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. Gross accounts receivable and revenues from self-pay and third-party payors were as follows on December 31 and for the year then ended:

	Receivables		Revenues	
	2022	2021	2022	2021
Medicare	32%	40%	40%	37%
Medicaid	15%	13%	26%	30%
Blue Cross/Anthem	12%	13%	17%	15%
Commercial	18%	15%	15%	16%
Self-pay	23%	19%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

14. COMMITMENTS AND CONTINGENCIES

Litigation

The Hospital is currently in litigation with the manager of the operations of its two long-term care facilities. The litigation relates to amounts owed related to operating losses and capital purchases made at the facilities. The Hospital plans to vigorously defend itself related to this matter. No liability has been accrued for any potential outcome of this litigation as the outcome is uncertain and is not able to be estimated as of the date of this report.

The Hospital is currently in litigation with a provider of various reimbursement and other consulting services (the Consultant) to the Hospital. The dispute revolves around certain contingency and other fees that the Consultant claims are owed to them, and the Hospital disputes the methodology used to calculate the fees, and believes the fees are inconsistent with the agreed-upon terms or are not appropriately reflective of the services provided. The Hospital plans to vigorously defend itself related to this matter. No liability has been accrued for any potential outcome of this litigation as the outcome is uncertain and is not able to be estimated as of the date of this report.

The Hospital is involved in other litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position, results of operations or cash flows.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Malpractice Insurance

The Indiana Medical Malpractice Act, IC 34-18 (the Act) provides a maximum recovery \$1,800,000. The Act requires the Hospital to maintain medical malpractice liability insurance in the amount of at least \$500,000 per occurrence (\$10,000,000 in the annual aggregate). The Act also requires the Hospital to pay a surcharge to the State Patient's Compensation Fund (the Fund). The Fund is used to pay medical malpractice claims in excess of per occurrence and the annual aggregate amounts as noted above, under certain terms and conditions. No accrual for possible losses attributable to incidents that may have occurred but that have not been identified has been made because the amount, if any, is not reasonably estimable. The Fund is on a claims-made basis and as long as this coverage is continuous or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be insured.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claim experience, there is no related accrual recorded as of December 31, 2022 and 2021. It is reasonably possible that this estimate could change materially in the near term.

The Hospital purchases premium insurance to cover its exposure of \$500,000 per event and \$10,000,000 aggregate liability for Hospital and HPR operations.

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

15. BLENDED COMPONENT UNITS

The Hospital's financial statements include the accounts of its blended component units. Separate financial statements related to these component units may be obtained by contacting Hospital management. Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2022:

	2022		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 323,176	\$ 199,262	\$ 522,438
Patient accounts receivable, net	173,523	-0-	173,523
Supplies and other current assets	242,146	54,496	296,642
Total current assets	738,845	253,758	992,603
Assets limited as to use	-0-	2,327,594	2,327,594
Capital assets	22,877	703,566	726,443
Total assets	\$ 761,722	\$ 3,284,918	\$ 4,046,640
Accounts payable and accrued expenses	\$ 36,430	\$ 594	\$ 37,024
Due to Hospital	30,012	-0-	30,012
Total current liabilities	66,442	594	67,036
Net position	695,280	3,284,324	3,979,604
Total liabilities and net position	\$ 761,722	\$ 3,284,918	\$ 4,046,640
Total operating revenue	\$ 1,890,611	\$ -0-	\$ 1,890,611
Total non-operating loss	(30,340)	(129,510)	(159,850)
Total revenue	1,860,271	(129,510)	1,730,761
Salaries and benefits	318,899	-0-	318,899
Other professional fees	11,409	5,950	17,359
Medical supplies and drugs	1,310,622	-0-	1,310,622
Depreciation	13,169	10,705	23,874
Rent and leases	27,867	-0-	27,867
Purchased services and other	116,486	-0-	116,486
Total expenses	1,798,452	16,655	1,815,107
Change in net position	\$ 61,819	\$ (146,165)	\$ (84,346)
Cash flows from activities			
Operating	\$ 35,237	\$ (5,356)	\$ 29,881
Noncapital financing	(31,449)	55,403	23,954
Capital and related financing activities	-0-	(15,982)	(15,982)
Investing	1,109	8,634	9,743
Net change in cash and cash equivalents	\$ 4,897	\$ 42,699	\$ 47,596

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

Below is condensed financial information related to HPR and the Foundation as of and for the year ended December 31, 2021:

	2021		
	HPR	Foundation	Total
Cash and cash equivalents	\$ 318,279	\$ 156,563	\$ 474,842
Patient accounts receivable, net	157,721	-0-	157,721
Supplies and other current assets	220,626	38,514	259,140
Total current assets	696,626	195,077	891,703
Assets limited as to use	-0-	2,521,141	2,521,141
Capital assets	36,046	714,271	750,317
Total assets	\$ 732,672	\$ 3,430,489	\$ 4,163,161
Accounts payable and accrued expenses	\$ 30,997	\$ -0-	\$ 30,997
Due to Hospital	68,214	-0-	68,214
Total current liabilities	99,211	-0-	99,211
Net position	633,461	3,430,489	4,063,950
Total liabilities and net position	\$ 732,672	\$ 3,430,489	\$ 4,163,161
Total operating revenue	\$ 1,646,570	\$ -0-	\$ 1,646,570
Total non-operating income	20,971	263,046	284,017
Total revenue	1,667,541	263,046	1,930,587
Salaries and benefits	300,025	-0-	300,025
Other professional fees	9,697	3,250	12,947
Medical supplies and drugs	1,265,271	-0-	1,265,271
Depreciation	13,169	10,705	23,874
Rent and leases	30,400	-0-	30,400
Purchased services and other	121,520	-0-	121,520
Total expenses	1,740,082	13,955	1,754,037
Change in net position	\$ (72,541)	\$ 249,091	\$ 176,550
Cash flows from activities			
Operating	\$ (5,883)	\$ (3,413)	\$ (9,296)
Noncapital financing	20,556	(78,116)	(57,560)
Capital and related financing activities	-0-	120,002	120,002
Investing	415	4,398	4,813
Net change in cash and cash equivalents	\$ 15,088	\$ 42,871	\$ 57,959

MEMORIAL HOSPITAL OF LOGANSPORT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

16. PROVIDER RELIEF FUNDS

During 2022 and 2021, Provider Relief Funds (PRF) authorized under the Coronavirus Aids, Relief, and Economic Security (CARES) Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic. PRF amounts are recognized to the extent the Hospital meets the terms and conditions. The Hospital received and recognized PRF of approximately \$-0- and \$3,391,000 as COVID-19 grant funds in nonoperating revenues (expenses) in the statements of operations and changes in net position for the years ended December 31, 2022 and 2021, respectively. Compliance with the terms and conditions may also be subject to future government review and interpretation. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with the terms and conditions, and it is not possible to determine the impact (if any) such claims would have upon the Hospital.

The CARES Act also allowed health care providers to request accelerated and advanced payments for Medicare services. The Hospital requested and received approximately \$8,383,000 of accelerated and advanced Medicare payments under this CARES Act provision during 2020. As of December 31, 2022 and 2021, amounts owed by the Hospital under this program were approximately \$-0- and \$5,262,000, respectively. These are included in estimated third-party payor settlements on the statements of net position.

17. MANAGEMENT'S PLAN AND SUBSEQUENT EVENT

As shown in the accompanying financial statements, the Hospital experienced operating losses in 2022 and 2021. The net days cash on hand decreased and the Hospital did not meet the debt service coverage debt covenant ratio on December 31, 2022 or 2021. In August 2023, the Hospital paid off the 2013 and 2019 Bonds, significantly reducing the Hospital's cash and liquidity. Management obtained a \$3,000,000 line of credit with a local financial institution during November 2023 that expires in November 2024 to help enhance potential liquidity.

Certain operational improvement initiatives to enhance revenue, streamline operations and reduce costs are being implemented by management. Management is analyzing strategies to improve volumes and is concurrently pursuing opportunities to enhance liquidity. As part of these initiatives, management is strategically analyzing operations to curtail and contain costs. As part of the revenue enhancements, management is reviewing various reimbursement/payment options and working to improve revenue cycle operations. Management has instituted a detail cash flow budgeting process to monitor the results of the ongoing changes. Management expects the combination of cost reductions, operational changes, revenue, and liquidity enhancements to stabilize cash flow and the bottom line.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Memorial Hospital of Logansport (the Hospital), which comprise the statement of net position as of December 31, 2022, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as the basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2024



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Memorial Hospital of Logansport
Logansport, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Memorial Hospital of Logansport's (the Hospital) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended December 31, 2022. The Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Board of Trustees
Memorial Hospital of Logansport, Inc.
Logansport, Indiana

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the *Uniform Guidance* and which is described in the accompanying schedule of findings and questioned costs as item 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

Board of Trustees
Memorial Hospital of Logansport, Inc.
Logansport, Indiana

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Hospital as of and for the year ended December 31, 2022 and have issued our report thereon dated January 17, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
January 17, 2024

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-through Grantor/Program Title	Grant ID #	Federal Assistance Listing Number	Federal Expenditures
Major program			
U.S. Department of Health and Human Services (DHHS) COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	N/A	93.498	\$ 3,390,898
Non-major programs			
U.S. Department of Health and Human Services (DHHS) COVID-19 - Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	N/A	93.461	43,040
U.S. Department of Health and Human Services (DHHS)/ Indiana Hospital Association COVID-19 - Small Hospital Improvement Program	N/A	93.155	<u>252,916</u>
Total non-major programs			<u>295,956</u>
Total federal expenditures			<u>\$ 3,686,854</u>

See report on Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance on page 38. See accompanying Notes to Schedule of Expenditures of Federal Awards on page 43.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Memorial Hospital of Logansport (the Hospital) under programs of the federal government for the year ended December 31, 2022 and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

2. SUMMARY OF SIGNIFICANT POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Hospital has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

3. PASS-THROUGH FUNDS TO SUB-RECIPIENTS

During 2022, the Hospital did not pass-through funds to sub-recipients.

4. PROVIDER RELIEF FUNDS

Under terms and conditions of the Provider Relief Funds (PRF) under the Coronavirus Aids, Relief, and Economic Security (CARES) Act, the Hospital is required to report COVID-19 related expenses and lost revenue to the U.S. Department of Health and Human Services (HHS). Guidance from HHS has required the reporting of the COVID-19 related expenses and lost revenue in certain reporting periods based on when the funds were received.

HHS requires PRF amounts received from January 1, 2021 and expended through December 31, 2021, to be reported on the 2022 Schedule rather than the 2021 Schedule. As such, the Hospital received approximately \$3,391,000 in PRF from January 1, 2021 through December 31, 2021. During 2021, the Hospital recognized \$3,391,000 as revenue in its 2021 statement of operations and changes in net position as the terms and conditions of the PRF grant were satisfied.

5. FAIR MARKET VALUE OF DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During 2022, the Hospital did not receive donated personal protective equipment from federal sources.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> √ </u> yes	<u> </u> none reported
Significant deficiency(s) identified that are not considered material weakness(es) noted?	<u> </u> yes	<u> √ </u> none reported
Noncompliance material to consolidated financial statements noted?	<u> </u> yes	<u> √ </u> no

Federal Awards

Internal controls over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> √ </u> none reported	
Significant deficiency(s) identified that are not considered material weakness(es) noted?	<u> </u> yes	<u> √ </u> none reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> √ </u> yes	<u> </u> no	
Identification of major program(s):			Federal Assistance Listing Number
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Distribution			<u> </u> #93.498
Threshold used to distinguish between Type A and B programs:		\$750,000	
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> √ </u> no	

Section II – Findings Related to Financial Statements
Reported in Accordance with Government Auditing Standards

2022-001 – Material Weakness related to Accounts Receivable Estimates

Criteria – Management is responsible for establishing and maintaining an accounts receivable model used to estimate the collectability of patient accounts receivable.

Condition – The model was not updated or prepared timely during 2022 using up-to-date accurate information.

Cause – Due to changes in accounting personnel and challenges with implementing the new billing system and processes, management experienced difficulties in obtaining and assimilating information related to the timely preparation of the accounts receivable contractual and bad debt model using up-to-date information.

Effect – The net patient accounts receivable balance was overstated as of December 31, 2022.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

Recommendation – We recommend the Hospital prepare the contractual and bad debt model on a monthly basis using up-to-date information and verify amounts calculated in the model reconcile to the amounts reported in the financial statements.

Views of Responsible Officials and Planned Corrective Action – Management concurs with the recommendation and is in the process of reviewing, revising and formally documenting processes surrounding the preparation of the model on a monthly basis using up-to-date information.

2022-002 – Submission of single audit package to Federal Audit Clearinghouse.

Criteria – The single audit reporting package is due to the Federal Audit Clearinghouse within nine months after year end.

Condition – The audit was not submitted within the specified timeframe.

Questioned costs – \$-0-

Context – Single audit requirements direct the grant recipient to comply with the filing requisites.

Effect – The single audit reporting package was not submitted to the Federal Audit Clearinghouse within the timeframe which resulted in an instance of noncompliance.

Cause – The Hospital was negotiating terms with their lenders over failed debt covenants during 2022, which led to delays in getting the audit completed timely.

Recommendation – We recommend the Hospital timely file the reports with the Federal Audit Clearinghouse going forward.

Views of Responsible Officials and Planned Corrective Action – Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.

Section III – Findings and Questioned Costs Related to Federal Awards

No matters reported.

Section IV – Summary Schedule of Prior Audit Findings

2021-001 – Submission of Single Audit Package to Federal Audit Clearinghouse.

Condition – The audit was not submitted within the required timeframe to the Federal Audit Clearinghouse.

MEMORIAL HOSPITAL OF LOGANSPOUR, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

Recommendation – A similar finding (2022-02) was issued in the current year. The auditor recommends the Hospital timely file the reports with the Federal Audit Clearinghouse going forward.

Views of Responsible Officials and Planned Corrective Action – Management understands the due date for single audit reporting package submission to the Federal Audit Clearinghouse and will file the single audit reporting package as soon as possible.